

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05 SS-15
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
/100 W

-----050542Z 000416 /23

R 041738Z MAY 77
FM USMISSION GENEVA
TO SECSTATE WASHDC 7053
INFO AMEMBASSY LONDON
USMISSION EC BRUSSELS

LIMITED OFFICIAL USE GENEVA 3374

E.O. 11652: N/A
TAGS: GATT, ETRD
SUBJ: GATT WP ON EXPORT INFLATION INSURANCE

REF: A. GENEVA 3027 B. STATE 52741 C. GENEVA 3223

1. AS NOTED IN REF A, WE SUPPLIED TO UK MISSION GENEVA THE
HYPOTHETICAL STATISTICAL EXAMPLE GIVING OUR UNDERSTANDING OF
HOW UK EXPORT INFLATION INSURANCE SCHEME WOULD WORK, AS CON-
TAINED IN REFTEL B.

2. UK HAS RESPONDED BY SUPPLYING A STATISTICAL EXAMPLE WORKING
FROM A DIFFERENT APPROACH, AS FOLLOWS: QUOTE

UNITED KINGDOM COST ESCALATION INSURANCE SCHEME
ILLUSTRATIVE NUMERICAL EXAMPLE

1. CONTRACT VALUE - 20 MILLION POUNDS (ON CREDIT TERMS)
2. PERIOD OF COVER - 3 YEARS
3. ELIGIBLE VALUE - 9.8 MILLION POUNDS

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ARRIVED AT AS FOLLOWS:
CONTRACT VALUE -20 MILLION POUNDS LESS
FIXED PRICE SUBCONTRACTS
AND OTHER ITEMS NOT SUB-
JECT TO UK INFLATION-6 MILLION POUNDS

14 MILLION POUNDS LESS

30 PERCENT STANDARD

DEDUCTION -4.2 MILLION POUNDS

ELIGIBLE VALUE -9.8 MILLION POUNDS

4. THRESHOLD -7 PERCENT

SUBSEQUENT COST

INCREASE BAND

COVERED -10 PERCENT

5. OVER THE THREE YEAR PERIOD THE EXPORTER'S COST INCREASES ON THE ELIGIBLE VALUE (9.8 MILLION POUNDS) WOULD NEED TO EXCEED 2.058 MILLION POUNDS (3(YEARS) X 7 PERCENT (THRESHOLD) X 9.8 MILLION (ELIGIBLE VALUE)) BEFORE ANY LIABILITY AROSE UNDER ECGD'S INSURANCE COVER. THAT LIABILITY WOULD BE LIMITED TO FURTHER COSTS TOTALLING 2.94 MILLION POUNDS. TAKING INTO ACCOUNT THE 294,000 POUNDS PAYABLE FOR THE COVER (1 POUND PER 100 POUNDS PER ANNUM ON THE ELIGIBLE VALUE) THE EXPORTER'S MAXIMUM NET BENEFIT WOULD BE 2.646 MILLION POUNDS.

6. THE UK COST ESCALATION INSURANCE SCHEME APPLIES STRICTLY TO COST INCREASES AND NOT TO INFLATION INDICES. AS COSTS ARE INCURRED OVER THE PERIOD OF COVER RATHER THAN WHOLLY AT THE END OF THAT PERIOD COST INCREASES WILL BE LOWER THAN INFLATION RATES OVER THE PERIOD. UNQUOTE

2. COMMENT: MUCH OF THE EXAMPLE SEEMS STRAIGHTFORWARD TO US, ALTHOUGH WE SEEKING CLARIFICATION ABOUT THE 2.94 MILLION POUNDS LIMITED OFFICIAL USE

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CITED IN THE QUOTED PARA 5. IT SEEMS CLEAR FROM THIS EXAMPLE THAT THE PROGRAM OPERATES AS A SUBSIDY.SORENSEN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, INFLATION, INSURANCE, BRIEFING MATERIALS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Sent Date: 04-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977GENEVA03374
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: UPGRADED TO CONFIDENTIAL PER 8/22/78 MEMO FROM EB/ITP - WILLIAM BARRACLOUGH
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770157-0720
Format: TEL
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770596/aaaadfgc.tel
Line Count: 99
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d485169b-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 GENEVA 3027
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2647645
Secure: OPEN
Status: NATIVE
Subject: GATT WP ON EXPORT INFLATION INSURANCE
TAGS: ETRD, US, UK, GATT
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/d485169b-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009